



DAILY LIVESTOCK COMMENTARY

Thursday March 16, 2017

DAILY CATTLE COMMENTARY

03/16/17

Beef market remains very strong; trade expects top

USDA boxed beef cutout values were up \$1.11 at mid-session yesterday and closed \$1.18 higher at \$221.32. This was up from \$213.61 the previous week and was the highest beef market had been since June 17th! Surging beef prices have traders concerned that consumer demand may be weak into the spring, just when market-ready supply is expected to be increasing rapidly. April cattle closed sharply higher on the session yesterday and managed to recoup all of Tuesday's losses. There were reports that some cash cattle traded in Kansas at \$122.00 to \$124.00, down \$1-3 from last week. Despite this, futures are still showing a stiff discount to the cash market, and this is supportive to April cattle.

Talk that packers will need to raise bids in order to get more cattle bought this week helped to support. The USDA estimated cattle slaughter came in at 113,000 head yesterday. This brings the total for the week so far to 341,000 head, down from 344,000 last week at this time but up from 336,000 a year ago. Short-term weather looks a bit bearish with dryness in the Plains.



TODAY'S MARKET IDEAS:

The April contract has already priced-in a sharp drop in the cash market in the weeks ahead, but beef prices remain at the highest level since June. April cattle uptrend channel support comes in at 115.97 today, and yesterday's close back over resistance at 117.17 leaves a bullish short-term tilt to the market. Use 119.07 as next resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short April cattle 116.00 put from 265 with an objective of 97. Risk to 220. 2) Short April cattle 114.00 put from 197 with an objective of 42. Risk to 117.

CATTLE COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LIVE CATTLE (APR) 03/16/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 119.270. The next area of resistance is around 118.620 and 119.270, while 1st support hits today at 116.770 and below there at 115.550.

FEEDER CATTLE (MAR) 03/16/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 130.525. The market is

approaching overbought levels with an RSI over 70. The next area of resistance is around 130.025 and 130.525, while 1st support hits today at 128.425 and below there at 127.325.

DAILY HOGS COMMENTARY

03/16/17

Mild winter holding weights a bit higher; cut-out slides down

The 3-day surge higher this week seems partially built on the idea that exports could stay strong, but this is difficult to monitor. A minor uptick in weights in a time period when weights typically drop and a downtick in pork values, which normally stay firm if exports are active, are two short-term negative forces. USDA pork cutout values, released after the close yesterday, came in at \$81.68, down 77 cents from Tuesday but up from \$80.79 the previous week. Weekly average weights for Iowa-Southern Minnesota as of March 11th came in at 281.9 pounds, up from 281.8 the previous week but down from 283.4 pounds last year. The 5-year average weight is 280.48. April hogs closed moderately lower yesterday on a badly needed correction. Ideas that the 3-day burst higher was overdone helped to trigger some selling and a moderately lower trade into the mid-day. The market bounced off of the early lows, led by a bounce in cattle but remained lower into the close.



The sharp drop in hams and loins for the mid-day wire was offset by a jump in pork belly prices, which left cutout values near unchanged on the day. Talk that supply could remain burdensome just ahead helped to pressure as well. Keep in mind, the USDA sees 2nd quarter production up 6% from last year. The CME Lean Hog Index as of March 13th was 71.94 down 20 cents from the previous session and down from 72.69 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 1.313 million head, down from 1.327 million last week at this time but up from 1.280 million a year ago.

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TODAY'S MARKET IDEAS:

Sluggish weight data and a sell-off in pork values might be seen as a negative short-term factor. The lack of much premium to the cash market for June hogs is seen as a positive force if the export tone remains strong. June hog support comes in at 78.15 and 77.62. April hogs may also test support levels at 69.35 and 68.57 over the near-term.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of zero. Risk to 225. 2) Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points. Look to buy back short June 70.00 put at 77.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 03/16/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside target is 71.150. The next area of resistance is around 70.550 and 71.150, while 1st support hits today at 69.600 and below there at 69.220.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
MEAT COMPLEX										
LCJ7	117.700	59.61	57.25	59.06	60.55	117.34	116.53	116.31	116.33	115.87
FCH7	129.225	70.72	64.26	82.57	89.22	128.29	126.21	125.19	125.82	125.80
LHJ7	70.070	58.62	55.55	54.27	68.41	69.83	68.64	68.54	69.19	68.78

Calculations based on previous session. Data collected 03/15/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCJ7	Live Cattle	115.520	116.750	117.400	118.620	119.270
FCH7	Feeder Cattle	127.325	128.425	128.925	130.025	130.525
LHJ7	Lean Hogs	69.200	69.570	70.170	70.550	71.150

Calculations based on previous session. Data collected 03/15/2017

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